

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



Yangzhou Guangling District Taihe Rural Micro-finance Company Limited

揚州市廣陵區泰和農村小額貸款股份有限公司

(A joint stock limited liability company incorporated in the People's Republic of China)

(Stock Code: 8252)

FIRST QUARTERLY RESULTS ANNOUNCEMENT FOR THE THREE MONTHS ENDED 31 MARCH 2019

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

This announcement, for which the directors (the "**Directors**") of Yangzhou Guangling District Taihe Rural Micro-finance Company Limited (the "**Company**") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "**GEM Listing Rules**") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

FINANCIAL HIGHLIGHTS

- (1) For the three months ended 31 March 2019, the Company recorded interest income of approximately RMB27.2 million, which remained stable as compared to approximately RMB27.2 million in the corresponding period in 2018.
- (2) For the three months ended 31 March 2019, profit after tax of the Company amounted to approximately RMB13.8 million, representing a decrease of approximately 13.6% as compared to approximately RMB16.0 million in the corresponding period in 2018. This was mainly due to the increase in expenses related to the Company's proposed transfer of listing from GEM to the Main Board.
- (3) As at 31 March 2019, the balance of outstanding loans (before allowance for impairment losses) of the Company amounted to approximately RMB854.0 million, representing an increase of approximately 1.5% as compared to approximately RMB841.5 million as at 31 December 2018.

The board of Directors of the Company (the “**Board**”) hereby announces the unaudited results of the Company for the three months ended 31 March 2019, together with the unaudited comparative figures for the corresponding period in 2018 as follows:

Condensed Statement of Profit or Loss and Other Comprehensive Income

	Notes	Three months ended 31 March	
		2019 (unaudited) RMB	2018 (unaudited) RMB
Interest income	2	27,175,674	27,221,587
Interest expense	2	(82,161)	—
Interest income, net	2	27,093,513	27,221,587
Accrual of provision for impairment losses		(1,801,682)	(2,668,651)
Accrual of provision for guarantee losses		(2,490)	(67,472)
Administrative expenses	3	(7,110,655)	(3,209,160)
Other income, net	4	30,686	250,411
PROFIT BEFORE TAX		18,209,372	21,526,715
Income tax expense	5	(4,389,909)	(5,527,098)
PROFIT AFTER TAX AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		<u>13,819,463</u>	<u>15,999,617</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	7		
Basic		<u>0.02</u>	<u>0.03</u>
Diluted		<u>0.02</u>	<u>0.03</u>

Condensed Statement of Financial Position

	Notes	As at 31 March 2019 (unaudited) RMB	As at 31 December 2018 (audited) RMB
ASSETS			
Cash and cash equivalents		5,613,404	4,337,348
Loans receivable	8	824,968,632	814,275,722
Property and equipment		7,307,995	2,324,103
Deferred tax		5,122,734	5,003,496
Other assets		311,866	1,516,837
TOTAL ASSETS		843,324,631	827,457,506
LIABILITIES			
Deferred income		74,851	112,070
Income tax payable		6,284,764	8,044,735
Liabilities from guarantees		86,342	83,852
Lease liabilities		2,701,853	—
Other liabilities		9,046,279	7,905,770
TOTAL LIABILITIES		18,194,089	16,146,427
EQUITY			
Share capital	9	600,000,000	600,000,000
Reserves		103,074,536	103,074,536
Retained earnings		122,056,006	108,236,543
TOTAL EQUITY		825,130,542	811,311,079
TOTAL EQUITY AND LIABILITIES		843,324,631	827,457,506

Condensed Statement of Changes in Equity

	Reserves					Total <i>RMB</i>
	Paid in capital <i>RMB</i>	Capital reserve <i>RMB</i>	Surplus reserve <i>RMB</i>	General reserve <i>RMB</i>	Retained earnings <i>RMB</i>	
Balance as at 1 January 2018	600,000,000	54,417,191	33,403,729	8,084,486	94,650,965	790,556,371
Profit for the period and total comprehensive income	—	—	—	—	15,999,617	15,999,617
Balance as at 31 March 2018 (unaudited)	<u>600,000,000</u>	<u>54,417,191</u>	<u>33,403,729</u>	<u>8,084,486</u>	<u>110,650,582</u>	<u>806,555,988</u>
Balance as at 1 January 2019	600,000,000	54,417,191	40,279,200	8,378,145	108,236,543	811,311,079
Profit for the period and total comprehensive income	—	—	—	—	13,819,463	13,819,463
Balance as at 31 March 2019 (unaudited)	<u>600,000,000</u>	<u>54,417,191</u>	<u>40,279,200</u>	<u>8,378,145</u>	<u>122,056,006</u>	<u>825,130,542</u>

Condensed Statement of Cash Flows

		Three months ended 31 March	
	Notes	2019 (unaudited) RMB	2018 (unaudited) RMB
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		18,209,372	21,526,715
Adjustments for:			
Depreciation and amortisation		435,355	202,931
Accrual of provision for impairment losses		1,801,682	2,736,123
Accrual of provision for guarantee losses		2,490	—
Accreted interest on impaired loans	2	(103,229)	(69,138)
Net gain on disposal of property and equipment and other assets		—	(107,864)
Interest expense	2	82,161	—
Foreign exchange loss, net	4	38	36,769
		<hr/>	<hr/>
Increase in loans receivable		(12,440,506)	(27,111,995)
Decrease/(increase) in other assets		54,580	(479,128)
Increase/(decrease) in other liabilities		1,308,644	(891,777)
		<hr/>	<hr/>
Net cash flows from/(used in) operating activities before tax		9,350,587	(4,157,364)
Income tax paid		(6,269,117)	(5,495,688)
		<hr/>	<hr/>
Net cash flows from/(used in) operating activities		3,081,470	(9,653,052)
		<hr/>	<hr/>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property and equipment and other long-term assets		(1,590,948)	(8,800)
Proceeds from disposal of property and equipment		—	107,864
		<hr/>	<hr/>
Net cash flows from/(used in) investing activities		(1,590,948)	99,064
		<hr/>	<hr/>
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of other borrowings		(31,894)	—
Repayment of lease liability		(173,625)	—
Interest paid on borrowings		(8,909)	—
		<hr/>	<hr/>
Net cash flows used in financing activities		(214,428)	—
		<hr/>	<hr/>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of the period		1,276,094	(9,553,988)
Effect of foreign exchange rate changes, net	4	4,337,348	10,578,504
		(38)	(36,769)
		<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		5,613,404	987,747
		<hr/> <hr/>	<hr/> <hr/>

Notes to the Condensed Financial Statements

1. BASIS OF PREPARATION AND CHANGES TO THE COMPANY'S ACCOUNTING POLICIES

1.1 Basis of preparation and principal accounting policies

The interim condensed financial statements for the three months ended 31 March 2019 have been prepared in accordance with IAS 34 Interim Financial Reporting.

The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements as at 31 December 2018.

1.2 Changes in accounting policies and disclosures

The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2018, except for the adoption of new standards effective as of 1 January 2019. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Company applies, for the first time, IFRS 16 *Leases* that indicates Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. As required by IAS 34, the nature and effect of these changes are disclosed below. Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the interim condensed financial statements of the Company.

IFRS 16 supersedes IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-Int 15 *Operating Leases-Incentives* and SIC-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

The Company adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Company elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.

The effect of adoption IFRS 16 as at 1 January 2019 (increase/(decrease)) is as follows:

	RMB
Assets	
Property, plant and equipment	<u>2,626,966</u>
Total assets	<u><u>2,626,966</u></u>
Liabilities	
Lease liabilities	<u>2,802,226</u>
Other liabilities	<u>(175,260)</u>
Total liabilities	<u><u>2,626,966</u></u>

a) Nature of the effect of adoption of IFRS 16

The Company has operating lease contracts for buildings, which used by the Company for operation. Before the adoption of IFRS 16, the leased property was not capitalised and the lease payments were recognised as expense in profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under Other assets and Other liabilities, respectively. Upon the adoption of IFRS 16 the right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

Based on the foregoing, as at 1 January 2019, Right-of -use assets (included in Property, plant and equipment) of RMB2,626,966 were recognised and additional lease liabilities of RMB2,802,226 were recognised and presented separately in the statement of financial position. Other liabilities of RMB175,260 related to previous operating leases were derecognised.

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018 as follows:

	RMB
Operating lease commitments as at 31 December 2018	1,496,920
The impact of VAT	(71,282)
Operating lease commitments as at 31 December 2018 not include VAT	1,425,638
Weighted average incremental borrowing rate as at 1 January 2019	12.00%
Discounted operating lease commitments at 1 January 2019	1,358,389
Add:	
Payments in optional extension periods not recognised as at 31 December 2018	1,443,837
Lease liabilities as at 1 January 2019	2,802,226

b) Summary of new accounting policies

Set out below are the new accounting policies of the Company upon adoption of IFRS 16, which have been applied from the date of initial application:

Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

2. INTEREST INCOME, NET

	Three months ended 31 March	
	2019	2018
	RMB	RMB
Interest income on:		
Loans receivable	27,172,648	27,184,112
Cash at banks	2,325	10,551
Cash at a third party	701	26,924
Subtotal	<u>27,175,674</u>	<u>27,221,587</u>
Interest expense on:		
Lease liabilities	74,887	—
Borrowing from other institutions	7,274	—
Subtotal	<u>82,161</u>	<u>—</u>
Interest income, net	<u>27,093,513</u>	<u>27,221,587</u>
Included: Interest income on impaired loans	<u>103,229</u>	<u>69,138</u>

3. ADMINISTRATIVE EXPENSES

	Three months ended 31 March	
	2019	2018
	RMB	RMB
Staff costs	1,178,221	1,093,494
Tax and surcharges	149,734	267,420
Transfer of listing expense	3,393,899	—
Depreciation and amortisation	435,355	202,931
Leasing expense	—	155,696
Office expenses	35,388	58,522
Auditor's remuneration	336,085	—
Advertising and entertainment expenses	554,737	708,093
Service fees	632,689	318,445
Others	394,547	404,559
Total	<u>7,110,655</u>	<u>3,209,160</u>

4. OTHER INCOME, NET

	Three months ended 31 March	
	2019	2018
	RMB	RMB
Other income:		
Guarantee fee income	37,219	183,211
Gain on disposal of fixed assets	—	107,864
Subtotal	<u>37,219</u>	<u>291,075</u>
Other expenses:		
Foreign exchange gain or loss	(38)	(36,769)
Fee and commission expense	(6,495)	(3,895)
Subtotal	<u>(6,533)</u>	<u>(40,664)</u>
Other income, net	<u>30,686</u>	<u>250,411</u>

5. INCOME TAX EXPENSE

	Three months ended 31 March	
	2019	2018
	RMB	RMB
Current income tax	4,509,147	6,080,329
Deferred income tax	(119,238)	(553,231)
	<u>4,389,909</u>	<u>5,527,098</u>

A reconciliation of the tax expense applicable to profit before tax using the statutory rate for the jurisdiction in which the Company is domiciled to the tax expense at the effective tax rate is as follows:

	Three months ended 31 March	
	2019	2018
	RMB	RMB
Profit before tax	<u>18,209,372</u>	<u>21,526,715</u>
Tax at the applicable tax rate	4,552,344	5,381,679
Adjustments in respect of current income tax of previous years	(281,875)	—
Expenses not deductible for tax	<u>119,440</u>	<u>145,419</u>
Total tax expense for the period at the Company's effective tax rate	<u>4,389,909</u>	<u>5,527,098</u>

6. DIVIDENDS

No dividend was paid or proposed during the three months ended 31 March 2019 (three month ended 31 March 2018: Nil).

7. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings per share is based on the profit attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares in issue for the period as follows:

	Three months ended 31 March	
	2019	2018
<u>Earnings</u>		
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation	<u>13,819,463</u>	<u>15,999,617</u>
<u>Shares</u>		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation (i)	<u>600,000,000</u>	<u>600,000,000</u>
Basic and diluted earnings per share	<u>0.02</u>	<u>0.03</u>

(i) **Weighted average number of ordinary shares**

	Three months ended 31 March	
	2019	2018
Issued ordinary shares at the beginning of the period	<u>600,000,000</u>	<u>600,000,000</u>
Weighted average number of ordinary shares at the end of the period	<u>600,000,000</u>	<u>600,000,000</u>

There were no dilutive potential ordinary shares during the period, and therefore, diluted earnings per share are the same as the basic earnings per share.

8. LOANS RECEIVABLE

	As at 31 March 2019 RMB	As at 31 December 2018 RMB
Loans receivables	853,956,453	841,515,947
Less: Allowance for impairment losses	<u>28,987,821</u>	<u>27,240,225</u>
	<u>824,968,632</u>	<u>814,275,722</u>

The types of loans receivable are as follow:

	As at 31 March 2019	As at 31 December 2018
Guaranteed loans	814,868,774	801,348,948
Collateral-backed loans	<u>39,087,679</u>	<u>40,166,999</u>
	853,956,453	841,515,947
Less: Allowance for impairment losses	<u>28,987,821</u>	<u>27,240,225</u>
	<u>824,968,632</u>	<u>814,275,722</u>

The table below shows the credit quality and the maximum exposure to credit risk based on the Company's internal credit rating system (Five-Tier Principle) and three months-end stage classification.

Internal rating grades	31 March 2019				31 December 2018
	Stage 1 RMB	Stage 2 RMB	Stage 3 RMB	Total RMB	Total RMB
Normal	839,311,883	—	—	839,311,883	826,671,468
Special mention	—	—	—	—	3,301,005
Sub-standard	—	—	3,167,743	3,167,743	3,237,467
Doubtful	—	—	4,352,620	4,352,620	1,164,800
Loss	—	—	7,124,207	7,124,207	7,141,207
Total	839,311,883	—	14,644,570	853,956,453	841,515,947

An analysis of changes in the outstanding exposures is as follows:

	Stage 1 (12-month ECL) Collectively assessed RMB	Stage 2 (Lifetime ECL) Collectively assessed RMB	Stage 3 (Lifetime ECL – impaired) Individually assessed RMB	Total RMB
Outstanding exposure as at 31 December 2018	826,671,468	3,301,005	11,543,474	841,515,947
New exposures	133,090,567	—	—	133,090,567
Exposure derecognised	(120,450,152)	(133,262)	(66,647)	(120,650,061)
Transfers to Stage 3	—	(3,167,743)	3,167,743	—
At 31 March 2019	839,311,883	—	14,644,570	853,956,453
	Stage 1 (12-month ECL) Collectively assessed RMB	Stage 2 (Lifetime ECL) Collectively assessed RMB	Stage 3 (Lifetime ECL – impaired) Individually assessed RMB	Total RMB
Outstanding exposure as at 31 December 2017	800,984,711	2,029,650	8,959,321	811,973,682
New exposures	826,671,468	670,162	3,000,000	830,341,630
Exposure derecognised	(798,116,401)	(864,850)	(1,818,114)	(800,799,365)
Transfers to Stage 2	(2,630,843)	2,630,843	—	—
Transfers to Stage 3	(237,467)	(1,164,800)	1,402,267	—
At 31 December 2018	826,671,468	3,301,005	11,543,474	841,515,947

An analysis of changes of the corresponding expected credit losses ("ECLs") is as follows:

	Stage 1	Stage 2	Stage 3	
	(12-month ECL)	(Lifetime ECL)	(Lifetime ECL	
	Collectively	Collectively	– impaired)	Total ECL
	assessed	assessed	Individually	allowance
	RMB	RMB	assessed	RMB
ECLs as at 31 December 2018	17,816,242	318,462	9,105,521	27,240,225
New exposures	2,862,207	—	—	2,862,207
Exposures derecognized	(2,598,078)	(12,856)	(51,782)	(2,662,716)
Transfers to Stage 3	—	(305,606)	305,606	—
Net remeasurement of ECL arising from transfer of stage	—	—	942,997	942,997
Changes to inputs used for ECL calculations.	(40,363)	—	748,700	708,337
Accreted interest on impaired loans (Note 2)	—	—	(103,229)	(103,229)
At 31 March 2019	18,040,008	—	10,947,813	28,987,821

	Stage 1	Stage 2	Stage 3	
	(12-month ECL)	(Lifetime ECL)	(Lifetime ECL	
	Collectively	Collectively	– impaired)	Total ECL
	assessed	assessed	Individually	allowance
	RMB	RMB	assessed	RMB
ECLs as at 31 December 2017	17,057,494	203,105	7,313,843	24,574,442
New exposures	17,816,241	65,346	1,165,867	19,047,454
Exposures derecognised	(16,996,410)	(87,237)	(1,742,836)	(18,826,483)
Transfers to Stage 2	(56,026)	56,026	—	—
Transfers to Stage 3	(5,057)	(116,561)	121,618	—
Net remeasurement of ECL arising from transfer of stage	—	197,783	676,830	874,613
Changes to inputs used for ECL calculations.	—	—	1,855,903	1,855,903
Accreted interest on impaired loans	—	—	(285,704)	(285,704)
At 31 December 2018	17,816,242	318,462	9,105,521	27,240,225

9. SHARE CAPITAL

	As at 31 March 2019 RMB	As at 31 December 2018 RMB
Issued and fully paid	<u>600,000,000</u>	<u>600,000,000</u>

No movement occurred during the period of three-months ended 31 March 2019.

10. RELATED PARTY TRANSACTIONS

(a) Leasing

		Three months ended 31 March	
	Notes	2019 RMB	2018 RMB
Leasing expense	(i)	—	142,857
Depreciation of right-of-use asset	(i)	125,533	—
Interest expense on lease liabilities	(i)	72,124	—

Notes:

- (i) The Company entered into a lease contract in respect of the Company's office with an entity with significant influence over the Company. As at 28 November 2017, the Company agreed with the lessor and renewed the lease contract, the leasing period is from 1 January 2018 to 31 December 2020. The leasing expense of three months ended 31 March 2018 is RMB 142,857 (not including VAT).

The Company has adopted IFRS 16 since 1 January 2019 and recognised lease liability as well as right-of-use asset accordingly. The interest expense on lease liabilities and depreciation of right-of-use asset for the period of three months ended 31 March 2019 were RMB72,124 and RMB125,533, respectively.

(b) Key management personnel's remuneration

	Three months ended 31 March	
	2019 RMB	2018 RMB
Key management personnel's remuneration	<u>330,591</u>	<u>305,277</u>

(c) Outstanding balances with related parties

As at 31 March 2019 the Company had an outstanding balance of lease liability due to an entity with significant influence over the Company, amounting to RMB2,646,257 (as at 1 January 2019: RMB2,574,132).

Management Discussion and Analysis

BUSINESS REVIEW

During the three months ended 31 March 2019, the Company continued to pursue business opportunities and strengthen its market position. For the three months ended 31 March 2019, the Company recorded interest income of approximately RMB27.2 million, which remained stable as compared to the corresponding period in 2018; and profit after tax of approximately RMB13.8 million, representing a decrease of approximately 13.6% as compared to approximately RMB16.0 million for the corresponding period in 2018, which was mainly due to the increase in expenses related to the Company's proposed transfer of listing from GEM to the Main Board ("**Transfer of Listing**"). As at 31 March 2019, the Company's balance of outstanding loans (before allowance for impairment losses) amounted to approximately RMB854.0 million, representing an increase of approximately 1.5% as compared to approximately RMB841.5 million as at 31 December 2018. The total assets of the Company as at 31 March 2019 were approximately RMB843.3 million, representing an increase of approximately 1.9% as compared to approximately RMB827.5 million as at 31 December 2018, and net assets were approximately RMB825.1 million as at 31 March 2019, representing an increase of approximately 1.7%, as compared to approximately RMB811.3 million as at 31 December 2018.

The number of customers

We have a relatively broad customer base comprising primarily small and medium-sized enterprises ("**SMEs**"), micro-enterprises and individual proprietors situated or resided in Yangzhou City. Our customers are engaged in a variety of industries, and a majority of which are also under the classification of AFR (三農) of the People's Bank of China. We consider the diversity of industries and businesses of our customers, coupled with our relatively small individual loan size, serve to alleviate our risk of concentration and position us to better withstand periodic business and economic cycles of different industries. For the three months ended 31 March 2018 and 2019, we granted loans to 76 and 78 customers, respectively. The following table sets forth the number of customers to whom we have granted loans for the periods indicated below:

	Three months ended 31 March			
	2019		2018	
	<i>No. of</i>		<i>No. of</i>	
	<i>Customers</i>	<i>%</i>	<i>Customers</i>	<i>%</i>
Customer by type				
SMEs and microenterprises	7	9.0	9	11.8
Individual proprietors	71	91.0	67	88.2
Total	78	100.0	76	100.0

Loan portfolio by size

The following table sets forth our outstanding loans by size as at the dates indicated:

	As at 31 March 2019		As at 31 December 2018	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Less than or equal to RMB0.5 million				
– Guaranteed loans	20,030	2.3	21,088	2.5
– Collateralized loans	6,700	0.8	7,613	0.9
	26,730	3.1	28,701	3.4
Over RMB0.5 million but less than or equal to RMB1 million				
– Guaranteed loans	102,849	12.0	95,789	11.4
– Collateralized loans	703	0.1	704	0.1
	103,552	12.1	96,493	11.5
Over RMB1 million but less than or equal to RMB2 million				
– Guaranteed loans	327,984	38.5	317,150	37.6
– Collateralized loans	10,594	1.2	10,792	1.3
	338,578	39.7	327,942	38.9
Over RMB2 million but less than or equal to RMB3 million				
– Guaranteed loans	364,006	42.6	367,322	43.7
– Collateralized loans	21,090	2.5	21,058	2.5
	385,096	45.1	388,380	46.2
Total	853,956	100	841,516	100

Loan portfolio by security

We accept (i) loans backed by guarantees, (ii) loans secured by collaterals, or (iii) loans backed and secured by both guarantees and collaterals. The following table sets forth the balance of our outstanding loans (including loans granted before 1 January 2019) by security as at the dates indicated:

	As at 31 March 2019		As at 31 December 2018	
	RMB'000	%	RMB'000	%
Guaranteed loans	814,869	95.4	801,349	95.2
Collateralized loans	39,087	4.6	40,167	4.8
included: Guaranteed and collateralized loans	36,927	4.3	37,989	4.5
Total	853,956	100	841,516	100

The following table sets forth details of the number of loans granted for the periods indicated by security:

	Three months ended 31 March	
	2019	2018
Guaranteed loans	78	67
Collateralized loans	3	14
included: Guaranteed and collateralized loans	3	13
Total	81	81

ASSET QUALITY

We adopt a loan classification approach to manage our loan portfolio. We categorize our loans by reference to the "Five-Tier Principle" set forth in the Guideline for Loan Credit Risk Classification (貸款風險分類指引) issued by the China Banking and Insurance Regulatory Commission ("CBIRC"). According to the "Five-Tier Principle", our loans are categorized as "normal", "special-mention", "substandard", "doubtful" or "loss" according to their levels of risk. The following table sets forth our outstanding loans by the "Five-Tier Principle" category as at the dates indicated:

	As at 31 March 2019		As at 31 December 2018	
	RMB'000	%	RMB'000	%
Normal	839,312	98.3	826,672	98.2
Special-Mention	—	0.0	3,301	0.4
Substandard	3,167	0.4	3,237	0.4
Doubtful	4,353	0.5	1,165	0.2
Loss	7,124	0.8	7,141	0.8
Total	853,956	100	841,516	100

The following table sets forth our loan quality analysis as at the dates indicated:

	As at 31 March 2019	As at 31 December 2018
Impaired loan ratio ⁽¹⁾	1.7%	1.4%
Balance of impaired loans (RMB'000)	14,644	11,543
Total amount of loans receivable (RMB'000)	853,956	811,974
	As at 31 March 2019	As at 31 December 2018
Allowance coverage ratio ⁽²⁾	198.0%	236.0%
Allowance for impairment losses (RMB'000) ⁽³⁾	28,988	27,240
Balance of impaired loans (RMB'000)	14,644	11,543
Provisions for impairment losses ratio ⁽⁴⁾	3.4%	3.2%
	As at 31 March 2019	As at 31 December 2018
Balance of overdue loans (RMB'000)	14,644	14,694
Total amount of loans receivable (RMB'000)	853,956	841,516
Overdue loans ratio ⁽⁵⁾	1.7%	1.7%

Notes:

- (1) Represents the balance of impaired loans divided by the total amount of loans receivable.
- (2) Represents the allowance for impairment losses on all loans divided by the balance of impaired loans. The allowance for impairment losses on all loans includes provisions provided for loans which are assessed collectively and provisions provided for impaired loans which are assessed individually. Allowance coverage ratio indicates the level of allowance we set aside to cover the probable loss in our loan portfolio.
- (3) Allowance for impairment losses reflects our management's estimate of the probable loss in our loan portfolio.
- (4) Represents the allowance for impairment losses divided by the total amount of loans receivable. Provisions for impairment losses ratio measures the cumulative level of provisions.
- (5) Represents the overdue loans, being loans with whole or part of the principal and/or interest that was overdue for one day or more, divided by the total amount of loans receivable.

FINANCIAL REVIEW

Interest income

Our interest income remained stable of approximately RMB27.2 million for both the three months ended 31 March 2018 and 2019. While there was a decrease in average interest rate per annum from 13.3% for the three months ended 31 March 2018 to 12.9% for the three months ended 31 March 2019, it was offset by an increase in the average daily balance of our loans receivable of approximately 2.6% from approximately RMB820.7 million for the three months ended 31 March 2018 to approximately RMB842.0 million for the three months ended 31 March 2019.

Interest expense

Our interest expense was nil and RMB82,161 for the three months ended 31 March 2018 and 2019, respectively. There was no interest expense for the three months ended 31 March 2018 primarily because all external borrowings had been repaid in November 2017 while no additional external borrowing was obtained throughout the period ended 31 March 2018. Interest expense for the three months ended 31 March 2019 was accrued from an instalment loan arrangement in respect of purchasing motor vehicles at the end of 2018 and recognised lease liabilities related to the lease contracts in respect of our office as we adopted IFRS 16 *Leases* since 1 January 2019.

Accrual of provision for impairment losses

We had accrual of provision for impairment losses of approximately RMB2.7 million and RMB1.8 million for the three months ended 31 March 2018 and 2019, respectively. The decrease in accrual of provision for impairment losses was mainly due to the decrease in the amount of new loans granted during the three months ended 31 March 2019.

Accrual of provision for guarantee losses

We had accrual of provision for guarantee losses of RMB67,472 and RMB2,490 for our outstanding financing guarantee obligation for the three months ended 31 March 2018 and 2019, respectively. We did not provide any new financing guarantee services for the three months ended 31 March 2019.

Administrative expenses

Our administrative expenses increased by approximately 121.6% from approximately RMB3.2 million for the three months ended 31 March 2018 to approximately RMB7.1 million for the three months ended 31 March 2019. This increase was primarily due to the increase in professional service fees which amounted to approximately RMB3.4 million in relation to the proposed Transfer of Listing of our Company for the three months ended 31 March 2019.

Other income, net

We had net other income of RMB250,411 and RMB30,686 for the three months ended 31 March 2018 and 2019 respectively. The short-fall was primarily due to the decrease in gain on disposal of fixed assets and guarantee fee income.

Income tax expense

Income tax expense decreased by approximately 20.6% from approximately RMB5.5 million for the three months ended 31 March 2018 to approximately RMB4.4 million for the three months ended 31 March 2019. Such decrease was mainly caused by the decrease in profit before tax.

Net profit and total comprehensive income during the period

As a result of the foregoing and in particular the increase in professional service fee in relating to the proposed Transfer of Listing, our Net profit and total comprehensive income during the period decreased by approximately 13.6% from approximately RMB16.0 million for the three months ended 31 March 2018 to approximately RMB13.8 million for the three months ended 31 March 2019.

Significant investments

The Company has no significant investment during the three months ended 31 March 2019 and up to the date of this announcement.

Material acquisitions or disposals of subsidiaries and affiliated companies

The Company has no material acquisition or disposal of subsidiaries and affiliated companies during the three months ended 31 March 2019 and up to the date of this announcement.

Future plans for material investments or capital assets and expected sources of funding

The Company has no specific future plans for material investments or capital assets during the three months ended 31 March 2019 and up to the date of this announcement.

Foreign currency risk

The Company operates principally in PRC with only limited exposure to foreign exchange rate risk arising primarily from certain bank deposits denominated in HKD after its Listing on GEM (the “**Listing**”), the balance of which was approximately HK\$2,206 as at 31 March 2019. However, the management will continue to monitor foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise. As at 31 March 2019, the Company did not have any outstanding hedge instruments.

Liquidity, financial resources and capital structure

As at 31 March 2019, the Company had bank balances and cash of approximately RMB5.6 million (31 December 2018: approximately RMB4.3 million). As at 31 March 2019, the Company had instalment loan payable amounting to approximately RMB389,106 (31 December 2018: RMB421,000). The gearing ratio, representing the ratio of total borrowings to total assets of the Company, was nil as at 31 March 2019 (31 December 2018: nil).

During the three months ended 31 March 2019, the Company did not use any financial instruments for hedging purposes.

Treasury policy

The Company adopts a prudent financial management strategy in implementing the treasury policy, thus a sound liquidity position was maintained throughout the period. The Company assesses its customers' credit and financial positions on an ongoing basis so as to minimize the credit risks. In order to control the liquidity risks, the Company would closely monitor the liquidity position of the Company to ensure its assets, liabilities and its liquidity structure would satisfy the funding needs from time to time.

Indebtedness and charges on assets

The Company entered into an instalment loan arrangement in respect of purchasing motor vehicles at the end of 2018, the balance of which was RMB389,106 as at 31 March 2019. One of the Company's motor vehicles with net carrying amounts of RMB627,771 was pledged to secure the instalment loan payable. Meanwhile, the Company adopted IFRS 16 *Leases* from 1 January 2019 and recognized the lease liability accordingly, the balance of which was approximately RMB2.7 million as at 31 March 2019.

Contingent liabilities

Contingent liabilities not provided for in the financial statements were as follows:

	As at 31 March 2019 RMB	As at 31 December 2018 RMB
Financial guarantee contracts	<u>4,000,000</u>	<u>4,000,000</u>

Off-balance sheet arrangements

The Company did not have any off-balance sheet arrangements during the three months ended 31 March 2019 and up to the date of this announcement.

MATERIAL LITIGATION AND ARBITRATION

As at 31 March 2019, the Company was not involved in any material litigation or arbitration.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2019, the Company had 32 full-time employees (31 December 2018: 32 full-time employees). The quality of our employees is the most important factor in maintaining a sustained development and growth of the Company and in improving its profitability. We offer a base salary with bonuses based on our employees' performance, as well as benefits and allowances to all of our employees as an incentive. Total employees remuneration of the Company for the three months ended 31 March 2019 was approximately RMB1.2 million (for the three months ended 31 March 2018: approximately RMB1.1 million).

OUTLOOK

The objective of the Company is to become a leading regional microfinance company focusing on meeting the interim business financing needs of SMEs, micro-enterprises and individual proprietors. Looking ahead, the Board and all staff of the Company will make pioneering and innovative efforts and keep pace with the times to create greater values for our customers, employees and shareholders.

With reference to the announcement of the Company dated 23 April 2019 (the "**Transfer Announcement**"), the Company has submitted a formal application to the Stock Exchange on 23 April 2019 for the proposed Transfer of Listing. The Board believes that the proposed Transfer of Listing will, among others, enhance the corporate profile of the Company, increase the Company's brand awareness and reputation and improve the trading liquidity of the H shares of the Company. For further details, please refer to the Transfer Announcement. Further announcements will be made to keep the shareholders of the Company and prospective investors informed of the progress of the proposed Transfer of Listing as and when appropriate.

Others

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 31 March 2019, interests or short positions of the Directors, supervisors (the "Supervisors") and the chief executive of the Company and their associates in any of the shares of the Company (the "Shares"), underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including circumstance of interests or short positions deemed or taken to have under such provisions of the SFO), or interests or short positions in the underlying shares and debt securities of the Company recorded in the register required to be kept pursuant to Section 352 of the SFO or as otherwise required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules were as follows:

Shares of the Company

Director	Nature of interest	Number of Shares held ⁽¹⁾	Approximate shareholding percentage in the relevant class of Shares ⁽²⁾	Approximate percentage of shareholding in the total issued share capital of the Company ⁽³⁾
Mr. Bo Wanlin ⁽⁵⁾	Interest in controlled corporation ⁽⁴⁾	430,100,000 Domestic Shares (L)	95.58%	71.68%
Ms. Bai Li	Beneficial owner	10,000,000 Domestic Shares (L)	2.22%	1.67%
Mr. Zuo Yuchao	Beneficial owner	2,600,000 Domestic Shares (L)	0.58%	0.43%
Ms. Zhou Yinqing	Beneficial owner	700,000 Domestic Shares (L)	0.16%	0.12%

Notes:

- (1) The letter "L" denotes a person's long position (as defined under Part XV of the SFO) in the domestic shares of the Company (the "Domestic Shares").
- (2) The calculation is based on the percentage of shareholding in Domestic Shares (namely, ordinary shares in the Company capital, with a nominal value of RMB 1.00 each, which are subscribed for and paid up in Renminbi by PRC nationals and/or PRC-incorporated entities).
- (3) The calculation is based on the total number of 600,000,000 Shares in issue.
- (4) Jiangsu Botai Group Co., Ltd.* (江蘇柏泰集團有限公司) ("Botai Group") is directly interested in approximately 40.03% in the Company. The disclosed interest represents the interest in the Company held by Botai Group which is in turn held as to approximately 33.33% by Mr. Bo Wanlin, approximately 25.00% by Mr. Bo Nianbin, approximately 25.00% by Ms. Bai Li and approximately 16.67% by Ms. Wang Zhengru (spouse of Mr. Bo Wanlin) as at the date of this announcement. Mr. Bo Wanlin and his spouse control more than one-third of the voting rights of Botai Group and are deemed to be interested in its interest in the Company by virtue of the SFO.

* For identification purpose only

- (5) Jiangsu Liantai Fashion Shopping Mall Real Estate Co., Ltd.* (江蘇聯泰時尚購物廣場置業有限公司) (“**Liantai Guangchang**”) is directly interested in approximately 31.65% in the Company. The disclosed interest represents the interest in the Company held by Liantai Guangchang, which is in turn held as to approximately 48.67% by Botai Group, approximately 26.33% by Mr. Bo Wanlin, approximately 20.00% by Mr. Bo Nianbin and approximately 5.00% by Ms. Bai Li as at the date of this announcement. Botai Group controls more than one-third of the voting rights of Liantai Guangchang and is deemed to be interested in its interest in the Company by virtue of the SFO, and Mr. Bo Wanlin and his spouse Ms. Wang Zhengru control more than one-third of the voting rights of Botai Group and are deemed to be interested in its interest in Liantai Guangchang and the Company by virtue of the SFO. On 12 December 2017, Botai Group and Liantai Guangchang, the Controlling Shareholders of the Company, pledged 45,000,000 and 35,000,000 Domestic Shares in favor of an independent commercial bank in the PRC as securities for bank facilities in the amount of RMB40,000,000 and RMB30,000,000 respectively.

Associated Corporation

Director	Associated Corporation	Nature of interest	Approximate shareholding percentage in the relevant class of shares in the Associated Corporation
Mr. Bo Wanlin	Botai Group	Beneficial owner ⁽¹⁾	33.33%
		Family interest of spouse ⁽²⁾	16.67%
Ms. Bai Li	Botai Group	Beneficial owner ⁽¹⁾	25.00%
Mr. Bo Nianbin	Botai Group	Beneficial owner ⁽¹⁾	25.00%

Notes:

- (1) The disclosed interest represents the interests in Botai Group, the associated corporation which is owned as to approximately 33.33% by Mr. Bo Wanlin, approximately 25.00% by Mr. Bo Nianbin, approximately 25.00% by Ms. Bai Li and approximately 16.67% by Ms. Wang Zhengru (spouse of Mr. Bo Wanlin) as at the date of this announcement.
- (2) Mr. Bo Wanlin is the spouse of Ms. Wang Zhengru and is deemed to be interested in Ms. Wang Zhengru’s interest in Botai Group by virtue of the SFO.

Save as disclosed above, as at 31 March 2019, none of the Directors, Supervisors and chief executive of the Company nor their associates had any interests or short positions in any of the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions deemed or taken to have under such provisions of the SFO), or as recorded in the register required to be kept pursuant to section 352 of the SFO, or transactions of shares and debt securities otherwise required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules.

* For identification purpose only

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES

As at 31 March 2019, so far as the Directors are aware, each of the following persons has an interest or short position in the Shares or underlying Shares which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or were required to be entered into the register referred to in section 336 of the SFO:

Shareholders	Nature of interest	Number of Shares held ⁽¹⁾	Approximate shareholding percentage in the relevant class of Shares	Approximate percentage of shareholding in the total issued share capital of the Company ⁽³⁾
Botai Group ⁽⁸⁾	Beneficial owner	240,200,000 Domestic Shares(L)	53.38% ⁽²⁾	40.03%
	Interest in controlled corporation ⁽⁴⁾	189,900,000 Domestic Shares(L)	42.20% ⁽²⁾	31.65%
Mr. Bo Wanlin ⁽⁸⁾	Interest in controlled corporation ⁽⁵⁾	430,100,000 Domestic Shares(L)	95.58% ⁽²⁾	71.68%
Ms. Wang Zhengru ⁽⁸⁾	Family interest of spouse ⁽⁶⁾	430,100,000 Domestic Shares(L)	95.58% ⁽²⁾	71.68%
Liantai Guangchang ⁽⁸⁾	Beneficial owner	189,900,000 Domestic Shares(L)	42.20% ⁽²⁾	31.65%
Mr. Suen Cho Hung, Paul ⁽⁹⁾	Beneficial owner	19,208,000 H Shares(L)	12.81% ⁽⁷⁾	3.20%
Mr. Lai Ming Wai ⁽⁹⁾	Beneficial owner	10,090,000 H Shares(L)	6.73% ⁽⁷⁾	1.68%

Notes:

- (1) The letter "L" denotes a person's long position (as defined under Part XV of the SFO) in the Shares of the Company.
- (2) The calculation is based on the percentage of shareholding in the Domestic Shares.
- (3) The calculation is based on the total number of 600,000,000 Shares in issue after the Listing.
- (4) As at the date of this announcement, Liantai Guangchang is held as to approximately 48.67% by Botai Group, approximately 26.33% by Mr. Bo Wanlin, approximately 20.00% by Mr. Bo Nianbin and approximately 5.00% by Ms. Bai Li. Botai Group controls more than one-third of the voting rights of Liantai Guangchang and is deemed to be interested in its interest in the Company by virtue of the SFO.
- (5) As at the date of this announcement, Botai Group is held as to approximately 33.33% by Mr. Bo Wanlin, approximately 25.00% by Mr. Bo Nianbin, approximately 25.00% by Ms. Bai Li and approximately 16.67% by Ms. Wang Zhengru (spouse of Mr. Bo Wanlin). Mr. Bo Wanlin and his spouse control more than one-third of the voting rights of Botai Group and are deemed to be interested in its interest in the Company by virtue of the SFO.
- (6) Ms. Wang Zhengru, the spouse of Mr. Bo Wanlin, is deemed to be interested in Mr. Bo Wanlin's interest in the Company by virtue of the SFO.

- (7) The calculation is based on the percentage of shareholding in the H Shares.
- (8) On 12 December 2017, Botai Group and Liantai Guangchang, the Controlling Shareholders of the Company, pledged 45,000,000 and 35,000,000 Domestic Shares in favour of an independent commercial bank in the PRC as securities for bank facilities in the amount of RMB 40,000,000 and RMB 30,000,000 respectively.
- (9) Both Mr. Suen Cho Hung and Mr. Lai Ming Wai are Independent Third Parties (as defined in the GEM Listing Rules), other than being shareholders of the Company.

Save as disclosed above, as at 31 March 2019, so far as known to the Directors, no interests or short positions of substantial shareholders of the Company and other persons in any Shares and debentures or underlying Shares of the Company were required to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO, or were required to be entered into the register referred to in section 336 of the SFO.

PLEDGE OF SHARES BY CONTROLLING SHAREHOLDERS

On 12 December 2017, Botai Group and Liantai Guangchang, the Controlling Shareholders (as defined in the GEM Listing Rules), pledged 45,000,000 and 35,000,000 Domestic Shares in favour of an independent commercial bank in the PRC as securities for bank facilities in the amount of RMB40,000,000 and RMB30,000,000 respectively. The pledged Domestic Shares represent approximately 18.6% of the aggregate Domestic Shares held by Botai Group and Liantai Guangchang, approximately 17.8% of the total number of Domestic Shares in issue, and approximately 13.3% of the total issued share capital of the Company on 12 December 2017. Details are set out in the announcement of the Company dated 12 December 2017.

PUBLIC FLOAT

According to the information disclosed publicly and as far as the Directors are aware, during the three months ended 31 March 2019 and up to the date of this announcement, at least 25% of the issued shares of the Company are held by public Shareholders and the Company has maintained the prescribed public float required by the GEM Listing Rules.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company did not purchase, sell or redeem any of the Company's listed securities during the three months ended 31 March 2019.

INTERESTS IN COMPETING BUSINESS

Directors' and Controlling Shareholders' Interest in Competing Business

As at 31 March 2019, each of Botai Group and Liantai Guangchang held 10% interest in Jiangsu Hanjiang Mintai Rural Bank Co., Ltd.* (江蘇邗江民泰村鎮銀行股份有限公司) (“**Mintai Bank**”) in the capacity as passive investors, and Botai Group held 8% interest in Yangzhou Guangling Zhongcheng Rural Bank Co., Ltd.* (揚州廣陵中成村鎮銀行股份有限公司) (“**Zhongcheng Bank**”) in the capacity as a passive investor.

Mintai Bank principally engages in certain banking business such as taking public deposit; providing short term, medium term and long term loans; domestic exchange settlement; notes acceptance and discount; interbank borrowing; debit card issuing; issuing and cashing agency, undertaking governmental bond; accounts receivable and payable agency; and other business approved by CBIRC (“**Banking Business**”) in Hanjiang District of Yangzhou.

Zhongcheng Bank principally engages in the Banking Business in Guangling District of Yangzhou City.

For further details on the general information of Mintai Bank and Zhongcheng Bank and the reasons that our Directors are of the view that the competition between the principal businesses of Mintai Bank and Zhongcheng Bank and the Company is limited and not extreme, please refer to the paragraph titled “Relationship with the Controlling Shareholders - other Businesses Invested by our Controlling Shareholders” in the Company’s prospectus dated 24 April 2017.

Save as disclosed above, as at 31 March 2019, none of the Controlling Shareholders of the Company, Directors and their respective close associates had any interests in any business which directly or indirectly competes or is likely to compete with our principal business, which would require disclosure under Rule 11.04 of the GEM Listing Rules.

AUDIT COMMITTEE

The Company established an audit committee (the “**Audit Committee**”) on 31 January 2015 in accordance with Rules 5.28 to 5.33 of the GEM Listing Rules. The written terms of reference of the Audit Committee was adopted in compliance with paragraphs C.3.3 and C.3.7 of the Corporate Governance Code. The primary duties of the Audit Committee are to review and supervise the Company’s financial reporting, risk management and internal control systems, oversee the audit process and to provide advice and comments to the Board. The Audit Committee consists of three independent non-executive Directors, being Mr. Chan So Kuen, Mr. Bao Zhenqiang and Mr. Wu Xiankun. Mr. Chan So Kuen currently serves as the chairman of our audit committee. The Audit Committee had reviewed the 2019 first quarterly report and the unaudited financial statements of the Company for the three months ended 31 March 2019 and was of the opinion that the preparation of such statements complied with the applicable accounting standards and requirements of the Stock Exchange and legal requirements, and that adequate disclosures have been made.

CORPORATE GOVERNANCE

The Company has complied with the requirements of the Corporate Governance Code set out in Appendix 15 to the GEM Listing Rules during the three months ended 31 March 2019 and up to the date of this announcement.

* For identification purpose only

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company adopted a code of conduct regarding securities transactions by Directors and the Supervisors (the “**Code of Conduct**”) on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors and Supervisors, the Directors and Supervisors have confirmed that they have complied with such Code of Conduct and required standard of dealings during the three months ended 31 March 2019 and up to the date of this announcement. The Company continues and will continue to ensure compliance with the Code of Conduct.

EVENT AFTER THE REPORTING PERIOD

Up to the date of this announcement, there was no significant event relevant to the business or financial performance of the Company that comes to the attention of the Directors after the three months ended 31 March 2019.

INTEREST OF THE COMPLIANCE ADVISER

As confirmed by the Company’s compliance adviser, China Galaxy International Securities (Hong Kong) Co., Limited (the “**China Galaxy**”), save for the compliance adviser agreement dated 16 August 2016 and the supplemental agreement dated 31 March 2017 entered into between the Company and China Galaxy for acting as a compliance adviser and the joint sponsor agreement dated 30 November 2018 entered into between the Company and China Galaxy for acting as a joint sponsor for the proposed Transfer of Listing, none of China Galaxy or its directors, employees or close associates (as defined under the GEM Listing Rules) had any interest in the Company or in the share capital of any member of the Company which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules during the three months ended 31 March 2019 and up to the date of this announcement.

By order of the Board
**Yangzhou Guangling District Taihe Rural
Micro-finance Company Limited**
Bo Wanlin
Chairman

Yangzhou, the PRC, 10 May 2019

As at the date of this announcement, the Board comprises three executive Directors, namely Mr. Bo Wanlin, Ms. Bai Li and Ms. Zhou Yinqing; two non-executive Directors, namely Mr. Bo Nianbin and Mr. Zuo Yuchao and three independent non-executive Directors, namely Mr. Bao Zhenqiang, Mr. Wu Xiankun and Mr. Chan So Kuen.

This announcement will remain on the “Latest Company Announcements” page of the GEM website (www.hkgem.com) for at least 7 days from the date of its publication and on the website of the Company (www.gltaihe.com).